

CALIFORNIA ENERGY COMMISSION1516 NINTH STREET
SACRAMENTO, CA 95814-5512

**STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION**

In the Matter of:)
2002-2012 Electricity Outlook Report)
)
 _____)

Docket No.: 01-EOR-1

**NOTICE OF COMMITTEE
WORKSHOP**

The California Energy Commission's Electricity and Natural Gas Committee will hold a panel discussion and workshop on **Exploring Alternative Wholesale Electricity Market Structures of California.**

WEDNESDAY, NOVEMBER 7, 2001

9 a.m.

CALIFORNIA ENERGY COMMISSION

1516 Ninth Street

Hearing Room A

Sacramento, California

(Wheelchair Accessible)

This workshop will focus on the relationship between market structure and reliability. At the workshop, the Committee will take comments on evaluating alternative power market structures for their ability to reduce electric price volatility and ensure a sustainable market. This public forum is designed to bring together a broad array of industry stakeholders to evaluate alternative power market structures for their ability to reduce price volatility and ensure reliable energy service.

This workshop will evaluate alternative market structures from the following two perspectives:

1. How can alternative markets be motivated to add timely new generation to reduce price volatility and contribute to reliable service and
2. How can alternative markets facilitate robust demand through programs or mechanisms that allow consumers to respond to real time prices?

Dr. Stephen Lee, area manager for grid operations and planning at Electric Power Research Institute (EPRI) is the Principal Investigator for this panel discussion and workshop. EPRI, a

non-profit energy research consortium that manages a program of scientific research, technology development, and product implementation, is conducting this project under the Energy Commission sponsorship. To facilitate this discussion, Dr. Lee and Dr. Andrew Ford of Washington State University's (WSU) Department of Environmental Science and Regional Planning will present the results of their recent analyses using models that look at alternative market structures and generation investment patterns.

Three panel discussions will cover the following:

- Long-term objectives of the California Wholesale Power Market
- The Means of Reducing Price Volatility in a Competitive Power Market from the Supply and Demand Sides
- Alternative Wholesale Market Structures for California

Participating on these panels will be representatives of the California Energy Commission (CEC), California Power Authority, California Independent Systems Operator (CAL/ISO), Toward Utility Rate Normalization (TURN), University of California Energy Institute (UCEI), California Public Utility Commission (CPUC), legislative energy staff, and representatives from California electric generators and distribution and municipal utilities. A preliminary agenda and set of questions to be addressed are included as Attachment A.

Written Comments

The Committee encourages workshop participants and other members of the public to submit written comments. Those submitting written comments must submit an original and 12 paper copies to the Energy Commission's Docket Unit on or before November 7, 2001. Please send or deliver materials to the following address:

California Energy Commission
Dockets Office
Attn: Docket No.: 01-EOR-1
1516 9th St., MS-4
Sacramento, CA 95814-5512

In addition, commenters should make 12 paper copies available at the beginning of the workshop as handouts. All written materials relating to this workshop will be filed with the Dockets Unit and will become part of the public record in this proceeding.

Assistance

The Energy Commission's Public Adviser provides assistance to the public regarding Energy Commission procedures and participation in Energy Commission activities. Anyone wishing to obtain information on how to participate in this workshop may reach the Public Adviser's Office by phone at (916) 654-4489, toll free at (800) 822-6228, or by e-mail at [pao@energy.state.ca.us].

If you have a disability and require reasonable accommodations to participate in this workshop, please contact Priscilla Ross at (916) 653-6631. Anyone who has technical questions regarding the subject matter of this notice may contact Richard Benjamin at

(916) 654-4809 or by e-mail at [rbenjami@energy.state.ca.us]. News media should direct inquiries to Assistant Director Claudia Chandler at (916) 654- 4989.

Date: October 12, 2001

STATE OF CALIFORNIA ENERGY
RESOURCES CONSERVATION AND
DEVELOPMENT COMMISSION

MICHAL C. MOORE
Commissioner and Presiding Member
Electricity & Natural Gas Committee

ARTHUR H. ROSENFELD
Commissioner and Associate Member
Electricity & Natural Gas Committee

ATTACHMENT A

California Energy Commission Committee Workshop on Exploring Alternative Wholesale Electricity Market Structures for California

November 7, 2001 9:00 a.m.

**California Energy Commission Hearing Room A
1516 9th Street
Sacramento, California**

Preliminary Agenda

Time	Item	Presenters or Panelists
8:30 am	Coffee provided in atrium	
9:00 am	Calling Meeting to Order Introductions and Workshop Objectives	Karen Griffin (Energy Commission)
9:15 am	Propensity of a Competitive Power Market towards Boom/Bust Cycles – Theory and Insights	Andy Ford (WSU)
10:00 am	Questions and Answers	
10:30 am	Comparison of a Competitive Wholesale Power Market with Alternative Structures through a Long Term Power Market Simulation Model	Stephen Lee (EPRI)
11:15 am	Questions and Answers	
11:30 am	Panel Discussion on the Long Term Objectives of the California Wholesale Power Market	Moderator: Karen Griffin,(Energy Commission) Panelists: Kellan Fluckiger (CPCFA), Mike Florio (TURN), CPUC / Legislative Staff*
12:30 pm	Lunch Break	
1:30 pm	Panel Discussion on the Means of Reducing Price Volatility in a Competitive Power Market from the Supply and the Demand Sides	Moderators: Stephen Lee, Michael Jaske (Energy Commission) Panelists: John Chandley (LECG), Carl Blumstein (UCEI), Steven Stoft
2:45 pm	Break with soda provided in atrium	
3:00 pm	Panel Discussion on the Alternative Wholesale Market Structures for California	Moderator: Andy Ford Panelists: Charles Kolstad (UCSB), Mike Florio, Lorenzo Kristov (ISO), Philippe Auclair (Mirant)
4:00 pm	Summary and Concluding Remarks	Karen Griffin (Energy Commission)
4:15	Workshop Adjourns	

* to be announced.

List of Issues and Questions

1. Panel Discussion on the Long Term Objectives of the California Wholesale Power Market

What are the long-term objectives of the California wholesale power market?

What lessons have we learned from the California power crisis of 2000-2001 about the importance of electricity market structures?

Are other competitive wholesale electricity markets outside of California functionally competitive or have these markets simply benefited from a surplus of capacity present when they were initiated? Lessons from the United Kingdom, PJM (Pennsylvania, New Jersey, Maryland), New England, New York, others.

What are the structural shortcomings of a purely competitive wholesale power market?

2. Panel Discussion on the Means of Reducing Price Volatility in a Competitive Power Market from the Supply and the Demand Sides

Is price volatility an inevitable component of a competitive wholesale power market? Is the volatility of a daily, seasonal, or cyclical nature?

What is the level of price volatility that retail end-users can tolerate?

How does the wholesale market structure affect investment patterns (i.e. boom/bust cycles) and impact prices and price volatility?

What other factors, unrelated to market structure, contribute to price volatility and boom-bust cycles? How can these be mitigated?

How does the wholesale market structure influence the ability of market participants to recover their investments in new generation and manage risk? What are the sources of risk?

Can price caps be used as an effective means of controlling price volatility without having a detrimental impact on investment in new generation?

Would providing capacity payments to generators be a more effective means than price caps of limiting price volatility and generator and investor risk?

What end-use loads should be targeted to participate in demand responsiveness programs and mechanisms? How can technology, which provides market price signals to end-users and automatically controls some loads in response to those signals, facilitate demand-side participation in the market?

What actions by the CPUC and public utility governing boards are needed to facilitate the demand-side market?

- Are real-time pricing tariffs enough or is there still a role for load curtailment programs activated by system operating reserve conditions?
- Is it possible to assess how much demand responsive load, actively engaged in market price setting through real-time pricing or other demand responsive programs, is required to limit price volatility to an acceptable level?
- How does market design influence the success or failure of greater demand-side participation in the market?

3. Panel Discussion on the Alternative Wholesale Market Structures for California

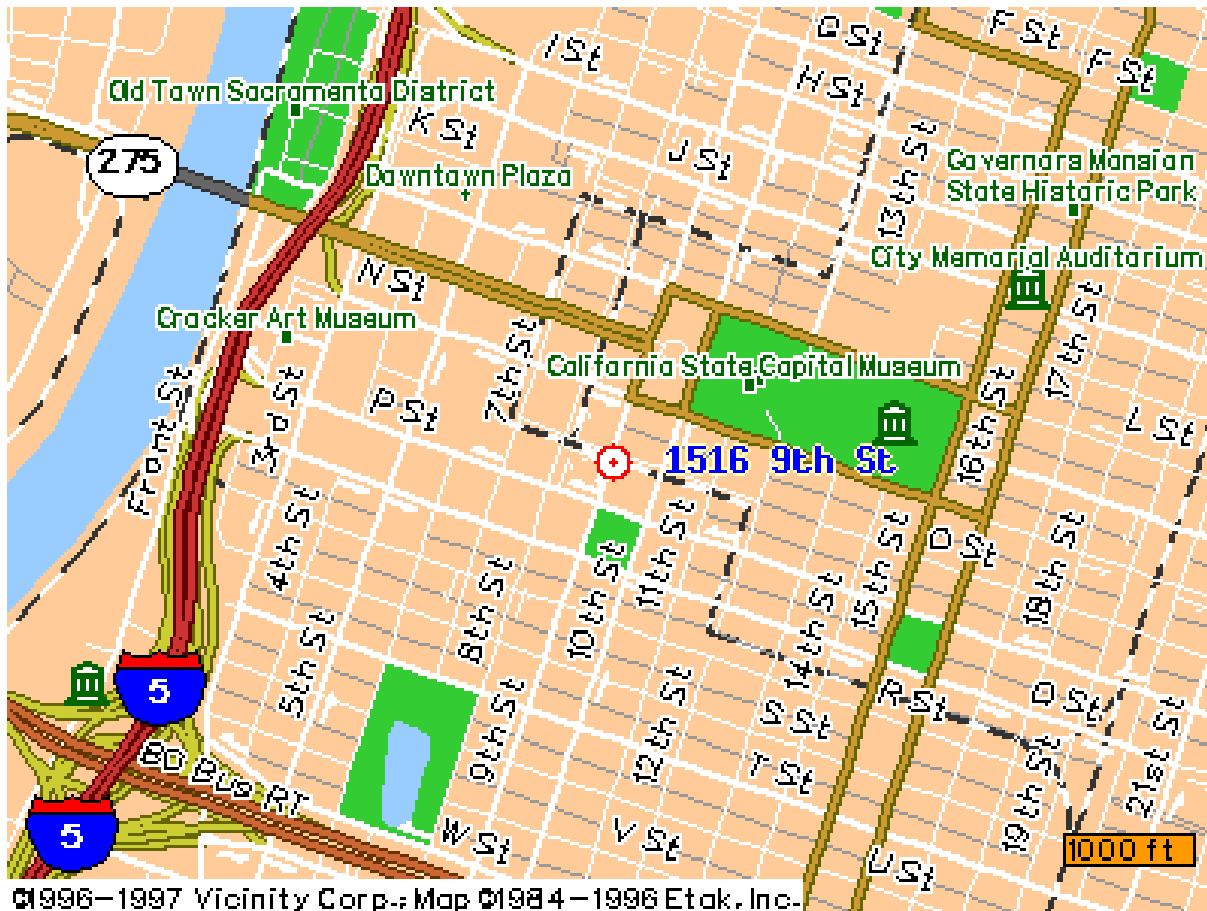
What are some of the possible wholesale market structure options for California and what are the pros and cons of each in terms providing transparent pricing and ensuring system reliability?

- Limited bilateral market with robust spot market
- Robust bilateral market with limited spot market
- Hybrid market with both non-regulated and governmental participants such as the Power Authority
- Others

How could capacity payments be structured so as to provide appropriate pricing signals that new generation is needed?

What roles are most publicly beneficial for state investment to achieve the objectives of a robust and reliable power market?

What are reasonable limitations on the roles of state investment such that the private investors continue to have sufficient financial incentive to build future generating capacity to meet the State's need for power?



The California Energy Commission is located at 1516 Ninth Street between "O" and "P" streets in downtown Sacramento. The Commission is located three blocks from the State Capitol.

Parking

Parking is available at meters on surrounding streets for 25-cents for 20 minutes, with a two-hour maximum. The two-hour limit is strictly enforced. One must move to another spot at the end of two hours: just putting in more money will not prevent you from getting a ticket. There are a limited number of 10-hour meters located along the streets. A public parking garage is located on 10th Street between "O" and "P" streets (entrance on 10th), though it usually fills up early in the day. Another garage is located at "10th" and "L" streets, with the entrance on "10th Street."

Light Rail

Sacramento Metro Transit's Light Rail services Sacramento residential communities along the I-80 and Hwy 50 corridors. It stops right next to the Commission on "O" Street. The black dashed line on the map above indicates the light rail route in the downtown area. The system serves downtown and along a "V," one leg going northeast to I-80 to Watt Ave. and the other leg going east along the Highway-50 corridors.

Additional transportation information: <http://www.energy.ca.gov/commission/directions.html>